The AI Advertising Advantage

Artificial Intelligence Helps Marketers
Navigate The Turbulent Future Of Advertising

Get started $\longrightarrow$

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Advanced AI Is Ushering In An Advertising Metamorphosis

Brands are wading through a complex advertising ecosystem. A host of forces that Forrester collectively refers to as "data deprecation" will likely exacerbate already vulnerable areas. These forces include changes to mobile identity, the elimination of third-party cookies, compliance and regulatory shifts, and increased demand for customer privacy. In the absence of traditional tactics, advanced and interoperable AI can step in to support a more modern and flexible approach.

IBM commissioned Forrester Consulting to evaluate how transformation within the advertising ecosystem is impacting traditional advertising practices. Through our survey of 156 senior advertising technology decision-makers from large organizations in the US, we sought to understand the role AI technologies can play in supporting relevant, customer-led, and privacy-friendly ad experiences.

Key Findings

Complexity within targeting, creative, media, and measurement processes has left marketers searching for better ways to manage, understand, and scale their advertising.

As data deprecation takes root, brands are in store for more disruption. They must now adopt a plan that mitigates key risks, including a loss of customer trust in their advertising tactics.

Solutions powered by advanced and interoperable AI can help marketers maintain the delicate balance between protecting consumer privacy and facilitating unique connections with consumers at scale.

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Complexity Plagues Advertising Execution

Process complexity has made delivering engaging ad experiences difficult. Respondents see room for improvement in key areas:

Creative. While 65% are confident in their creative, 66% struggle to scale their approach, suggesting a disparity between creative development and activation. Also, 73% say traditional time- and labor-intensive DCO solutions fail to deliver the scale required.[1]

Measurement. Quantifying advertising impact across channels is key to understanding customers and optimizing results. But in a fragmented landscape, 64% struggle with accurate measurement.

Targeting. Advertisers face a personalization vs. privacy balancing act: 85% say they're drowning in data but struggle to use it in privacy-friendly ways.

Media. Most (64%) feel supply chains are too opaque, making it difficult to manage agency, supplier, and publisher relationships, as well as media fraud and waste. This may explain why just 10% are confident in their media abilities.

"Please rate your brand on its current ability to execute the following advertising activities."
(Showing "Excellent")

65%
Creative

38%
Measurement
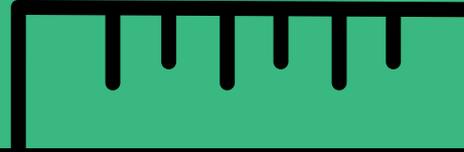
26%
Targeting
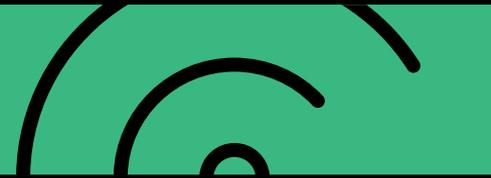
10%
Media

Traditional Ad Approaches Are At Risk

Marketers' resilience and agility will continue to be tested as they confront the forces behind data deprecation, which threaten the digital advertising tactics marketers depend upon. At least 85% already feel the impact of these forces, which make it difficult to collect and activate consumer data at scale:[2]

- **Restrictive privacy laws.** Growing privacy regulations (e.g., GDPR, CCPA) impact the ability to track and store data.

- **Data collection restrictions.** Limits on the use of third-party cookies and mobile IDs hinder identity-based strategies.

- **Privacy-protecting behaviors.** Concerns around data collection practices cause consumers to opt out of third-party tracking and data-storing requests.

- **Walled gardens of customer data.** Closed ecosystems restrict data extraction and tracking and obstruct holistic marketing planning and insights; 85% agree these moves could pose a challenge to the future of the open web.

"How much do you agree or disagree with the following statements about the advertising ecosystem?" (Showing top responses)

● Strongly agree ○ Agree

| 51% | 40% | **91%** |

Consumers' expectations for personalized and engaging advertising are on the rise.

| 47% | 40% | **87%** |

Heightened privacy demands have made personalized advertising at scale difficult.

| 47% | 40% | **87%** |

Increased privacy regulations mean that traditional targeting and tracking methods are at risk.

| 26% | 59% | **85%** |

Closed ecosystems/walled gardens could pose challenges to competition and the future of the open web.

Marketers Must Prepare Now For The Challenges Data Deprecation Will Bring

Decision-makers are concerned about the disruption that lies ahead. Nearly half fear regulatory scrutiny on their marketing and data collection efforts; 47% anticipate reduced precision in delivering personalized and contextually relevant ad content; and 46% worry about the unfamiliar territory their teams will be thrust into as they wean their dependency off of traditional identifiers. But the greatest perceived risk is a loss of customer trust (64%). Yet with risk, there is also reward. Empowered customers, who increasingly demand that brands act on their values, will reward the brands they trust with their loyalty and their data.[3] Despite the inherent risks ahead, an opportunity for differentiation exists for marketers that maintain and strengthen the trust customers have in their brands.

89% currently rely on traditional identifiers at least moderately, while 56% rely on them to a "large" or "very large" extent.

"What specific challenges, if any, do you anticipate for your advertising efforts with respect to data deprecation?" (Showing top challenges)

64% Loss of consumer trust in our marketing tactics, which may result in decreased brand loyalty

49% Risk of regulatory scrutiny on our marketing and data collection efforts

47% Reduced precision in designing/delivering personalized, contextually relevant content

46% Large team dependency on the cookie and other identifiers

44% Need to reevaluate our technology stack and vendor mix, which will require considerable time and money

40% Greater difficulty segmenting audiences

Advanced AI Can Help Brands Reimagine How They Reach And Engage Audiences

In the absence of traditional identifiers, advanced AI can help brands use data in new ways and maximize their efforts. Some of AI's strengths for marketing and advertising include its ability to:[4]

- Connect the dots within volumes of structured and unstructured data in ways that human analysis is unlikely to discover without a team of data scientists.

- Achieve scale in delivering contextually relevant experiences across channels in real time.

- Automate manual processes, allowing teams to work more efficiently and strategically.

- Deliver predictive insights that enable brands to anticipate customer needs and intent.

- Derive more value from privacy-friendly data sets, helping marketers reach consumers without third-party cookies.

73% agree

"The current environment demands a predictive (rather than reactive) advertising approach."

Brands Are Making AI A Key Part Of Their Data Deprecation Response Toolkit

Marketers must adapt their processes with transparency, choice, and customer value in mind.[5] At least half are adopting practices that align with these ideals, including exploring privacy-friendly data sets; demanding greater transparency from partners; strengthening privacy-by-design practices; and designing more engaging experiences to encourage customers to share their data. AI use and experimentation can augment many of these tactics, which is one of the top actions marketing teams plan to take in their data deprecation responses. While many are moving in the right direction, they cannot overlook other impactful actions, including adopting contextual advertising solutions, cultivating direct publisher relationships, and amassing robust zero- and first-party data sets.

Marketers agree that while identity solutions have a role to play, they alone are not enough to mitigate data deprecation risk.[6]

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"Which of the following actions, if any, are your marketing teams taking to respond to the changes data deprecation may bring?"

— 71%
Exploring new ways to use privacy-friendly data sets

— 64%
Demanding greater process/data-handling transparency with our partners

— 63%
Expanding our adoption of and/or experimentation with AI in our advertising

— 53%
Establishing or strengthening privacy-by-design practices in our advertising

— 49%
Designing more engaging and trusted experiences so customers are more willing to share their data with us

— 29%
Implementing or expanding our use of contextual advertising solutions

— 21%
Building more direct publisher relationships

— 19%
Building out our zero- and first-party data assets

Base: 156 advertising technology decision-makers in the US
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, March 2021

AI Advertising Represents An Untapped Opportunity

Despite the potential marketers see in AI advertising, few have a mature approach.[7] This is especially true when it comes to more advanced technologies, including:

- **Advanced machine learning (ML).** Can be leveraged to identify relevant audiences, predict relevant creative elements to display, or detect anomalies like fraud.

- **Natural language processing (NLP).** Provides marketers and publishers the opportunity to understand both what consumers are saying and the context of the content being consumed while also enabling 1:1 conversations.

- **Neural networks.** Provides the ability to operate across multiple ML models and perform complex pattern identification. Can also be applied to bid optimization.

- **Computer vision.** Provides a better understanding of the impact of creative elements and can be used to speed up creative production.

## Advanced AI Technologies Propel Advertising Strategies Forward

Advanced ML
(e.g., classification, regression, clustering, anomaly detection)

NLP
(e.g., language processing, tone/mood, personality, translation, speech-to-text, text-to-speech)
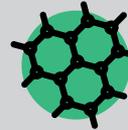
Neural networks
(e.g., deep learning)

Computer vision
(e.g., image processing, image analysis, machine vision, pattern/object recognition)

AI Advertising Packs A Powerful Punch

Those that are still in the early phases of AI experimentation may not have had the opportunity to measure and optimize their efforts yet. However, a small segment of leading brands — those using one or more advanced AI technologies in their advertising for at least a year — can provide an impressive proof point for the value of AI within advertising. This group is reaping meaningful measurement, targeting, campaign, and customer engagement benefits as a result of their AI advertising strategies.

"You mentioned that your brand is using advanced AI technology (NLP, computer vision, advanced ML, and/or neural networks) in its advertising. Please rate the general impact this technology has had on the following areas."
(Showing "Moderate" or "Significant" improvement among those that have been using at least one advanced AI technique for at least 12 months)

94%
Ability to measure the impact of our marketing/ advertising efforts

92%
Ability to target and reach the right audiences

89%
Overall campaign performance

56%
Ability to engage and convert consumers

FORRESTER OPPORTUNITY SNAPSHOT:

AI Can Breathe New Life Into Ad Processes

Marketers are interested in applying AI to various advertising use cases, especially:

- **Privacy-forward targeting.** AI can target consumers in their immediate context using anonymous data — for example, pairing weather and purchasing data to anticipate consumer behavior based on the forecast.

- **Audience identification.** In place of identity, AI can identify those with a high probability of taking specific actions using real-time market signals and a brand's CRM data.

- **DCO.** Traditional DCO solutions can't keep up in today's real-time, audience-driven world. AI can optimize ads at scale by learning, predicting, and serving the most relevant creative for unique audiences.

- **Personalization.** NLP and advanced ML can enable brands to have intelligent 1:1 conversations with consumers at scale, surfacing deeper insights about consumer preferences and facilitating more human, consumer-led interactions.

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"To which of the following use cases would you be most interested in applying AI in your advertising?"

78%
Enabling privacy-forward targeting

53%
Identifying audiences most likely to take a particular action

52%
Dynamic creative optimization

50%
Personalization

38%
Predictive analysis of creative elements

37%
Understanding and quantifying impact of media across screens

34%
Conversational marketing (e.g., chatbots)

34%
Identifying brand-safe social influencers

Base: 156 advertising technology decision-makers in the US
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, March 2021

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AI Advertising Solutions Support Relevance, Quality, And Scale

Advertising ecosystem transformation is requiring marketers to look at their advertising practices in a new light. In the context of today's challenges, brands must prioritize investment in solutions that allow them to drive innovation through experimentation with consumer-friendly data sources and ad formats. Emerging AI solutions exist to bring this vision to life. Many decision-makers would find value in an AI-powered ad solution that can support the use cases they care about without depending on traditional identifiers currently under threat.

Access To An Integrated, Holistic, Privacy-Safe AI Ad Solution Suite Can Optimize Ad Execution And Deliver Key Benefits

Improved ability to make use of privacy-friendly information (65%)

Improved ability to maintain trust (60%)

Higher-quality ad content (51%)

Reduced reputation risk/greater brand safety (45%)

More engaging and personalized customer experiences (44%)

Over 70% would expect to realize a moderate to significant improvement in their ability to optimize targeting (89%), measurement (88%), creative (74%), and media (73%) execution.

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Base: 77 advertising technology decision-makers in the US from organizations using at least one advanced AI technology for at least 12 months to support their advertising
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, March 2021

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Companies that employ advanced AI in their advertising improve targeting and reach, better quantify results, and boost campaign performance. Ad professionals will effectively use AI when they:

Foster an AI vision across the enterprise. Establish a clear vision for the role of AI in the organization, including a clear perimeter protecting uniquely human thought leadership, strategy, and creativity.

Select AI-savvy partners. Enlist vendors/providers with proven AI expertise to assist you in standing up an intelligence-driven advertising practice. The right solution will not only make the advertising smarter, but also improve the skills of your employees.

Connect AI to the entire campaign process. Identify and implement AI solutions across the campaign workflow, including audience definition, creative development, media planning, buying, and optimization.

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Contributing Research:

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Methodology

This Opportunity Snapshot was commissioned by IBM. To create this profile, Forrester Consulting supplemented existing Forrester research with a custom survey administered to 156 advertising technology decision-makers. The custom survey began and was completed in March 2021.

ABOUT FORRESTER CONSULTING

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Demographics

COUNTRY

100%	United States

DEPARTMENT

100%	Marketing/advertising

NUMBER OF EMPLOYEES

55%	1,000 to 4,999
45%	5,000 or more

SENIORITY

36%	C-level
26%	Vice president
38%	Director

ENDNOTES

[1] DCO stands for dynamic creative optimization.

[2] Source: "Get Your Data Deprecation Plan Together," Forrester Research Inc., February 1, 2021.

[3] Source: "Artificial Intelligence Will Spark A Real Marketing Renaissance," Forrester Research, Inc., August 3, 2018.

[4] Ibid.

[5] Source: "Get Your Data Deprecation Plan Together," Forrester Research Inc., February 1, 2021.

[6] Just 26% of marketers intend to implement or expand on their use of identity solutions as part their data deprecation response. Top limitations of identity solutions in mitigating data deprecation risk include further fragmentation of ad tech portfolios (68%), not solving for the industry's underlying issues (62%), and possible regulatory scrutiny (58%).

[7] Twenty-four percent have been using basic ML (e.g., process automation) to support their advertising for at least a year. When it comes to advanced AI, 43% have been using computer vision and 5% or less have been using advanced ML, NLP, or neural networks in their advertising for at least a year.

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